

DISCIPLINARY PROCEDURE OF THE NIGERIAN STOCK EXCHANGE¹

Part A: Introduction

1. Application

- a. The National Council hereby delegates the disciplinary powers and jurisdiction given to it under the Memorandum of Association and Articles of Association (MEMART) of The Exchange, and Rule 19.1(a) & (b) of the Rulebook of The Exchange, 2015 (Dealing Members' Rules) in the manner stated in this Disciplinary Procedure of The Nigerian Stock Exchange ("Disciplinary Procedure"). This Disciplinary Procedure shall apply in the event of any breach of the Applicable Rules by any Dealing Member of The Exchange, Participant, Authorised Clerk, employee/ former employee /sub-broker of a Dealing Member, Participant or other Person working with/for a Dealing Member/Participant. For the purpose of this Disciplinary Procedure, a breach of the Applicable Rules includes both acts and omissions.
- b. Notwithstanding the provisions of Paragraph 1(a) above, the Council shall continue to have the power to take disciplinary actions against Dealing Members, Participants and/or their employees, directors or Authorised Clerks or any other Person working with/for a Dealing Member/Participant for any violation of The Exchange's rules and

¹ Rule Making History

1. The draft Disciplinary Procedure was presented to the Rules and Adjudication Committee of Council (RAC) at the Joint Session of the Disciplinary Committee and RAC of Council on 20 January 2016 and approved for exposure to stakeholders for comments;
2. The draft Disciplinary Procedure was exposed for stakeholders' comments from 12 July to 9 August 2016, and re-exposed from 23 August to 7 September 2016;
3. The RAC considered the draft Disciplinary Procedure, and stakeholders' comments thereon at its Meeting of 20 March 2017, and approved the draft Rules for submission to the National Council of The Exchange (Council);
4. The Council approved the draft Disciplinary Procedure at its Meeting of 25 May 2017 for submission to the Securities and Exchange Commission (SEC);
5. The Council approved Disciplinary Procedure were submitted to the SEC for approval on 16 June 2017;
6. The SEC approved the Rules on 27 November 2019.

regulations.

- c. The Exchange shall not be liable in damages for anything done or omitted in the discharge of this Disciplinary Procedure.

2. Definitions and Interpretation

Definitions

Administrative Breach	a breach of any Applicable Rule, which The Exchange may from time to time designate as an administrative breach.;
Applicable Rules	all rules and regulations to which Dealing Members, Participants, or Persons are bound, including The Exchange's MEMART, as may be amended from time to time; Rules and Regulations Governing Dealing Members contained in the Rulebook of The Exchange, rules and regulations regulating Participants and any amendments thereto; and Clearing and Settlement Rules;
Council	the National Council of The Exchange;
Dealing Member	a member company of The Exchange that has been granted a licence by The Exchange to deal in stocks, shares and other securities listed on The Exchange;
Default Penalty	the penalty imposed by the Applicable Rules for an Administrative Breach;
Management of The Exchange	includes any of the departments, units, officers or employees of The Exchange

The Exchange	The Nigerian Stock Exchange, including its disciplinary organs, departments and units and the officers/employees therein;
Observer List	a list, maintained by The Exchange, comprising the names of twenty-five (25) persons qualified to serve on the Adjudication Panel and/or be observers on the Appeals Committee and who may, from time to time, be called upon to sit in/observe adjudication of a disciplinary proceeding before The Exchange;
Participants	means all Persons granted access to The Exchange's trading facilities/platforms (howsoever described) to trade;
Person	includes individuals, and any body of persons corporate or unincorporated;
Procedural Rules	the procedure established from time to time by the respective disciplinary organs to regulate the procedure and taking of evidence before the Adjudication Panel, the Appeals Committee and the National Council of The Exchange;
Rulebook	The Rulebook of The Nigerian Stock Exchange, 2015 as amended from time to time.

Part B: General

3. Principles of the Disciplinary Procedure

- (a) Where there seems to have been a breach of Applicable Rules by any Person to whom the Applicable Rules and/or this Disciplinary Procedure apply, including a Dealing Member/Participant or an officer, employee/former employee, or director, or shareholder, or sub-broker, or agent, or contractor working for/of a Dealing Member/Participant, the Management of The Exchange may commence disciplinary action against such member firm in accordance with the relevant procedure.
- (b) The Management of The Exchange will investigate the facts of each case, seeking to understand the reason for the rule breach and will assess the adequacy of any remedial action, if any, taken by the Dealing Member/Participant and/or Person to prevent similar future occurrence.
- (c) In taking a decision, the Management of The Exchange will, amongst other things, take into account the express provisions of this Disciplinary Procedure together with the following considerations:
 - (i) the gravity, scope and nature of the breach;
 - (ii) the circumstances that led to the discovery of the breach;
 - (iii) the actual or potential market impact of the breach, and any other incidental or consequential effects thereof;
 - (iv) the extent to which the breach was deliberate or reckless;
 - (v) the general compliance history of the Dealing Member/Participant, and specific history regarding the breach in question;
 - (vi) any precedents of previous similar breaches by the Dealing Member/Participant;
 - (vii) whether the Dealing Member/Participant is an accessory or the main offender;
 - (viii) the current status of the matter/case, i.e., whether the Dealing

- Member/Participant has already taken any positive step(s) to remedy the breach;
- (ix) the responsiveness and conduct of the Dealing Member/Participant in relation to the matter under investigation;
 - (x) the general compliance history of the Person, and specific history regarding the breach in question;
 - (xi) any precedents of previous similar breaches by the Person;
 - (xii) whether the Person breached the Rule or collaborated in the breach;
 - (xiii) the current status of the matter/case, i.e., whether the Person has already taken any positive step(s) to remedy the breach;
 - (xiv) the responsiveness and conduct of the Person in relation to the matter;
 - (xv) any other matter which the Management of The Exchange considers relevant in the circumstances.
- (d) The Exchange's approach to the disciplinary procedure is aimed at maintaining the integrity, orderliness, transparency and good reputation of its markets and encouraging good behaviour of the Dealing Member/Participant and/or Person in those markets where necessary.

4. General Bindingness and Enforcement of the Disciplinary Procedure

- (a) This Disciplinary Procedure is made pursuant to The Exchange's MEMART and the Rules.
- (b) This Disciplinary Procedure shall be binding upon Dealing Members/Participants:
 - (i) in relation to their dealings with The Exchange;
 - (ii) as among Dealing Members/Participants *inter se*; and
 - (iii) in relation to their interactions with the general public.
- (c) This Disciplinary Procedure shall be binding upon non-Members of The Exchange where it is shown that they execute consent forms and submit to the disciplinary jurisdiction of The Exchange.
- (d) This Disciplinary Procedure shall be binding upon Persons who are officers, employees

- directors and shareholders of Dealing Members/Participants, and the sub-brokers or agent, or contractor working for/of Dealing Members/Participants.
- (e) The Exchange may request information from a Dealing Member/Participant, or interview any employee, director, shareholder, or sub-broker, agents or contractors of a Dealing Member/Participant, about any matter which it considers may relate to this Disciplinary Procedure or to the integrity of the Market.
 - (f) A Dealing Member/Participant is responsible to The Exchange for the conduct of its employees, directors, shareholders, agents, contractors, sub-brokers, and any other person engaged by the Dealing Member/Participant, howsoever engaged or any other person which the Applicable Rules states the Dealing Member/Participant shall be responsible for. For the avoidance of doubt such conduct shall be treated for the purpose of this Disciplinary Procedure as the conduct of the Dealing Member/Participant but The Exchange may also sanction such employees, officers, directors, shareholders, and sub-brokers, contractors or agents in accordance with this Disciplinary Procedure and its Applicable Rules.
 - (g) The Exchange may bring disciplinary proceedings against a former Dealing Member/Participant for breach committed whilst the former Dealing Member/Participant was bound by this Disciplinary Procedure.
 - (h) The Exchange may bring disciplinary proceedings against a former employee, officer, director, shareholder, or sub-broker, agents and contractors of a Dealing Member/Participant for breaches committed whilst any of the foregoing persons had a relationship with the Dealing Member/Participant.
 - (i) Where two or more Dealing Members/ Participants are involved in a breach or breach of Applicable Rules which concern related matters, and which are to be brought before the Adjudication Panel, The Exchange may decide to bring such cases together and at the same time. For the avoidance of doubt such cases may be treated together by The Exchange at all levels of the disciplinary procedure both at administrative level, Adjudication Panel level, Appeals Committee level and at the National Council level.

5. Charges and Fees for the Disciplinary Procedure

A Dealing Member/Participant shall pay to The Exchange all sums notified by The Exchange as chargeable in relation to any disciplinary proceedings against it or its Person which sums shall be based on a Fee Schedule released by The Exchange and approved by the Commission from time to time.

6. Penalties

In imposing penalties, The Exchange shall be guided by the consideration that no Dealing Member/Participant or Person shall be permitted to keep any benefit, profit, or advantage, howsoever described that accrues from its default, provided that a Dealing Member/Participant or Person shall:

- a. be under a duty to restate an investor/compensate an investor for losses the investor suffered/suffers as a result of any actions of the Dealing Member/Participant or Person who breach the Applicable Rules; and
- b. be sanctioned for breach of the Applicable Rules.

Part C: Breach of Applicable Rules

7. Administrative Breaches

Where the alleged breach of Applicable Rules is an Administrative Breach, The Exchange shall, where the Dealing Member/Participant and/or Person accepts unconditional responsibility for the breach, apply the applicable Default Penalty.

8. Application

In the case of Administrative Breaches, this Part of the Disciplinary Procedure shall apply.

9. Commission of Administrative Breach

- (a) Pursuant to this Part, The Exchange shall deliver to the Dealing Member/Participant and/or Person accused of an Administrative Breach a Notice of Violation which sets out:
- (i) the act or omission constituting the Administrative Breach;
 - (ii) the Applicable Rule(s) of The Exchange alleged to have been violated;
 - (iii) the Default Penalty to be imposed for such violation;
 - (iv) the options open to the Dealing Member/Participant and/or Person in terms of acceptance or non-acceptance of commission of the Administrative Breach contained in the Notice of Violation, and the effect of acceptance and non-acceptances; and
 - (v) the time within which acceptance or non-acceptance should occur.
- (b) The Dealing Member/Participant and/or Person may accept the Notice of Violation by:
- (i) In the case of a Dealing Member/Participant (which is a company or corporate entity) - appending the signatures of any two directors (or its equivalent e.g. Trustees) of the Dealing Member/Participant, one of which must be the Chief Executive Officer (or its equivalent), or by the signature of its Chief Executive Officer and the Company Secretary or Chief Compliance Officer (where the Compliance Officer has the authority to bind the Dealing Member/Participant in this manner) (or their respective equivalents), or

- (ii) In the case of a natural Person accused of a breach - such Person shall append their signature;
and in both instances, the executed Notice of Violation shall be returned with evidence of payment of the penalty stipulated in the Notice of Violation.
- (c) The Dealing Member/Participant and/or Person shall however be deemed as having accepted the commission of the Administrative Breach upon presentation of evidence of payment of the Default Penalty stipulated in the Notice of Violation within the period of time prescribed by the Notice of Violation.
- (d) Upon acceptance in accordance with the above provision, the Dealing Member/Participant and/or Person shall be deemed to have admitted the Administrative Breach and agreed/consented to payment of the Default Penalty.
- (e) Where however a Dealing Member/Participant and/or Person refuses to execute the Notice of Violation in accordance with this Disciplinary Procedure, or otherwise indicates an intention to challenge the Notice of Violation, it may appeal against the Notice of Violation to the Executive Committee of Management. There shall be no appeal to any other disciplinary organ of The Exchange from the decision of the Executive Committee of Management regarding an Administrative Breach.
- (f) The Exchange may vary any of its procedures under this Part to adapt to the circumstances of any particular case.
- (g) The Executive Committee of Management may, amongst other decisions:
 - (i) affirm wholly the Notice of Violation;
 - (ii) affirm wholly the Notice of Violation but impose additional sanctions on the Person and/or Dealing Member/Participant;
 - (iii) amend the Notice of Violation;
 - (iv) set aside the Notice of Violation; and
 - (v) make its own findings different from what is contained in the Notice of Violation.

10. Default Penalties

Upon the commission of an Administrative Breach, The Exchange shall impose fines associated with the Rule.

11. Non Application of Part C of the Disciplinary Procedure

Where a Dealing Member/Participant or a Person commits any type of Administrative Breach for a third time within twelve (12) months of the commission of any type of Administrative breach for the second, the third breach shall not be treated as an Administrative Breach and shall be treated in line with the Standard Rule breaches below.

12. Standard Rule Breaches

Where the alleged breach of Applicable Rules is not an Administrative Breach, or falls into the category described in Paragraph 11 above, The Exchange shall refer the breach to the Adjudication Panel for determination in accordance with Part D below and the Applicable Rules of The Exchange.

Part D: Disciplinary Organs of The Exchange

13. The Disciplinary Organs

- (a) The Exchange shall have three Disciplinary Organs, namely, the Adjudication Panel; the Appeals Committee; and the National Council. The constitution, jurisdiction, powers and procedure of the Adjudication Panel and the Appeals Committee shall be as set forth in this Part, whilst the constitution and powers of the National Council is as set forth in the NSE MEMART, and the jurisdiction and procedure of the National Council shall be as set forth in this Part.
- (b) The Disciplinary Organs of The Exchange shall adopt a hierarchical structure such that the Adjudication Panel will be the tribunal of first instance for the determination of alleged breach of Applicable Rules which are not Administrative Breach, appeals from the Adjudication Panel, other than appeals in respect of a recommendation for expulsion, shall lie to the Appeals Committee, and appeals from the Adjudication Panel in respect of a recommendation for expulsion shall lie to the National Council. The National Council shall also hear expulsion recommendations from the Adjudication Panel.
- (c) In the event that a matter before any of the Disciplinary Organs is alleged to also be before another adjudicatory body, tribunal or court, such Disciplinary Organ will decide whether:
 - (i) the facts and/or circumstances of the matter before it and the body, tribunal or Court are the same;
 - (ii) the issues being considered by it and the other adjudicatory body, tribunal or court are the same;
 - (iii) the Disciplinary Rules of The Exchange or the law requires the Disciplinary Organ to suspend its proceedings pending the final determination of the matter by the other adjudicatory body, tribunal or court, and any other points/issues the Disciplinary Organs considered necessary.

The Disciplinary Organ will take a decision based on the afore-stated considerations.

14. The Adjudication Panel

14.1 Constitution and Quorum

- (a) Members of the Adjudication Panel for each proceeding will be drawn from the List maintained by The Exchange for such purposes.
- (b) The Adjudication Panel at a disciplinary proceeding shall consist of seven (7) persons comprising:
 - (i) three (3) appropriately experienced senior members of The Exchange's staff not below the rank of Principal Manager or any other experienced authorised staff of The Exchange, provided that no staff of any department of The Exchange who is or has been involved, in any capacity, in the investigation or prosecution of a disciplinary case shall be on the Adjudication Panel and;
 - (ii) three (3) persons who are not members of staff of The Exchange, who in the estimation of The Exchange, are appropriately experienced in the areas of law, capital markets or the financial sector.
 - (iii) one (1) appropriately experienced member of staff of the Central Securities Clearing Systems Plc (CSCS) not below the rank of Principal Manager or any other experienced authorised staff of the CSCS, provided that such staff is, or has been involved in an operational capacity within the CSCS.
- (c) The Adjudication Panel hearing a case shall appoint one of its members to be the Chairman, but the Chairman shall be a person who is appropriately experienced in the area of capital markets; and shall not be a member of staff of The Exchange.
- (d) For the purpose of exercising its functions as stated in this Procedure, the quorum of the Adjudication Panel shall be five (5), comprising of two (2) senior members of The Exchange's staff, present at the commencement of a hearing; together with at least three (3) persons who are not members of staff of The Exchange, present at the commencement of a hearing and throughout the hearing. For the purpose of split decisions, the Chairman of the Adjudication Panel shall have a second or casting vote.
- (e) Conflict of Interest issues shall be treated in accordance with the conflict of interest

policy approved from time to time for the Adjudication Panel. Members of the Adjudication Panel shall notify the Complaint Secretariat and the Chairman of any possible conflict of interest prior to the date of hearing, or where a conflict or the possibility of a conflict only becomes apparent during the course of a hearing, at the earliest opportunity.

14.2 Jurisdiction

- (a) The Adjudication Panel shall hear and determine matters/cases against a Dealing Member/Participant or Person in respect of any breach of the Applicable Rules which is not an Administrative Breach.

14.3 Legal Advice

The Adjudication Panel may receive advice on legal matters from the appropriate department/unit of The Exchange, or from external counsel as may be determined necessary and approved by The Exchange.

14.4 Decisions

- (a) The Adjudication Panel may deliberate at any time and make a decision in the absence of the parties. The Adjudication Panel may adjourn any hearing at any time as it thinks fit. The Adjudication Panel is entitled to reach decisions on a majority basis.
- (b) Where a decision is reached by a majority, this fact will not be disclosed.
- (c) Following the conclusion of the proceedings, the Adjudication Panel will notify the parties in writing of:
 - (i) its decision(s), including any penalty and any statement intended for publication;
 - (ii) the reason(s) for its decision(s);
 - (iii) any order for costs to be imposed; and
 - (iv) a time limit for the lodging of any appeal against the written decision or any part thereof which will be not less than ten (10) business days from the date of service on the parties of the written decision save in exceptional circumstances where

the Adjudication Panel may order a shorter period.

- (d) Decisions of the Adjudication panel shall be binding on all persons to whom they are addressed and shall be enforced by The Exchange, notwithstanding the commencement or pendency of an appeal.

14.5 Powers of the Adjudication Panel

- (a) Where the Adjudication Panel finds a breach of Applicable Rules proven, the Adjudication Panel may, amongst any other decision it decides to make:
- (i) issue written warnings, which may be public or private;
 - (ii) impose fines for breaches of Applicable Rules;
 - (iii) impose penalties;
 - (iv) make an order that a Person or Dealing Member/Participant make restitution to any person (when the Dealing Member/Participant or Person has profited from a breach of The Exchange's Rules at that person's expense);
 - (v) make an order that a Dealing Member/Participant or Person compensate any person for losses suffered as a result of the breach of the Dealing Member/Participant or Person;
 - (vi) suspend any authorised clerk found to have acted in breach of the Applicable Rules;
 - (vii) withdraw the authorised clerkship licence of an authorised clerk who has acted in breach of the Applicable Rules;
 - (viii) make appropriate orders, (including blacklisting orders) regarding compliance officers or other officers, shareholders, employees, contractors, agents, sub-brokers etc., of the Dealing Member/Participant or Person found to have acted in breach of the Applicable Rules;
 - (ix) make Consent Orders;
 - (x) make an order that a Person be suspended or expelled by The Exchange;
 - (xi) make an order that a Participant other than a Dealing Member be expelled by The Exchange;

- (xii) make an order that a Dealing Member be suspended by The Exchange;
 - (xiii) make a recommendation to the National Council that a Dealing Member be expelled as a Member of The Exchange and its Dealing Member licence revoked.
- (b) Where any Dealing Member/Participant or Person is suspended:
- (i) all monies due to The Exchange, including amounts for the replenishment of the Investors' Protection Fund and any fees prescribed under the Rules and Regulations Governing Dealing Members/Participants, shall nevertheless remain due and payable by the Dealing Member/Participant or Person as if it has not been suspended;
 - (ii) the Dealing Member's/Participant's or Person's right to trade shall also be suspended and it shall not be permitted to trade either directly or indirectly during such suspension except as approved by The Exchange for the purpose of making restitution for any breach of the Applicable Rules;
 - (iii) the suspension shall not operate to avoid or affect the validity or enforceability of any agreement, transaction, and arrangement in relation to transactions entered into by the Dealing Member/Participant or Person prior to the suspension; and
 - (iv) the Dealing Member/Participant or Person shall be under a duty to instruct and appoint another Dealing Member/Participant or Person to carry out any instructions already received by it on behalf of its clients prior to suspension and shall immediately notify The Exchange in writing of such appointment; and
 - (v) Notwithstanding any disciplinary action imposed on a Dealing Member or any of its employees by The Exchange, the obligation of each Dealing Member and its employees' to comply with the Rules and Regulations of The Exchange during the period of the imposed disciplinary action shall remain binding.
- (c) Where a Participant or Person has been expelled from The Exchange:
- (i) the Participant or Person shall lose all trading rights on The Exchange; and
 - (ii) it shall not be eligible for readmission to The Exchange (except where such expulsion is reversed by the Commission or the Investments and Securities

Tribunal (IST) or the Court of Appeal or the Supreme Court).

- (d) The Adjudication Panel may grant a Consent Order in respect of any settlement within its powers that may be negotiated between The Exchange and a Dealing Member or a Person in relation to any disciplinary action taken by The Exchange.

14.6 Costs

The Adjudication Panel may order any party to pay such reasonable amount as costs as it thinks fit, regardless of any finding or the outcome of the case. Such costs are to cover costs incurred by the other party in the participation, preparation and presentation of its case. Such order will be made only after the parties to the proceedings have been given the opportunity to make submissions on costs to the Adjudication Panel.

14.7 Payment of Fines & Costs, Restitution or Compensation of Investors/persons

(a) Any fine imposed shall be paid within ten (10) business days of the decision of the Adjudication Panel or such other time as the Adjudication Panel may determine or the conclusion of any appeal against that determination and any costs ordered to be paid shall be paid within ten (10) business days of receipt of the decision on the amount payable.

(b) Any order to pay restitution or compensate an investor or a person shall be carried out within ten (10) business days of the decision of the Adjudication Panel or such other time as the Adjudication Panel may determine or the conclusion of any appeal against that determination.

14.8 Appeals

(a) Appeals shall only lie against final decisions and not interim or interlocutory decisions of the Adjudication Panel.

(b) Appeals against final decisions of the Adjudication Panel, other than final decisions recommending the expulsion of Dealing Members, shall lie to the Appeals Committee. Where the final decision of the Adjudication Panel contains a recommendation to expel a

Dealing Member and other decisions which are not expulsion of a Dealing Member decisions, and a party appeals both sets of decisions, such an appeal shall be to the National Council. Where however a party appeals only the recommendation to expel the Dealing Member, the appeal in respect of the expulsion recommendation of the Dealing Member shall be referred to the National Council.

- (c) Appeals to the Appeals Committee shall be commenced by delivery of a Notice in writing to the Council Secretariat, within ten (10) business days of receipt of the Adjudication Panel's decision, setting out the name of the appellant, the decision appealed against, the grounds of appeal and the particulars, facts and matters relied upon in relation to each ground of appeal. Copies of any relevant documents to be relied upon during the Appeal shall also be attached to the Notice. The Council Secretariat shall as soon as reasonably practicable serve a copy of the Notice together with the supporting documents on the other parties (if any). Where the appellant wishes to rely on evidence or documentation which was not before the Adjudication Panel, this shall be stated in the Notice together with details of such evidence and copies of such documentation shall be attached to the Notice.
- (d) Appeals to the National Council shall be commenced by delivery of a Notice in writing to the Council Secretariat, within ten (10) business days of receipt the Adjudication Panel's decision, setting out the name of the appellant, the decision appealed against, the grounds of appeal and the particulars, facts and matters relied upon in relation to each ground of appeal. Copies of any relevant documents to be relied upon during the Appeal shall be attached to the Notice. The Council Secretariat shall as soon as reasonably practicable serve a copy of the Notice together with the supporting documents on the other parties (if any).
- (e) Where the appellant in its appeal to the Appeals Committee or the National Council wishes to rely on evidence or documentation which was not previously adduced before the Adjudication Panel, this intention shall be stated in the Notice together with details and reasons for tendering such new evidence, and copies of such documentation shall be

attached to the Notice. The Appeals Committee or the National Council (whichever is applicable) shall decide whether the appellant has provided sufficient reasons why such new evidence should be admitted on appeal and why such new evidence was not provided to the Adjudication Panel.

14.9 Confidentiality

- (a) Other than as set out in this Disciplinary Procedure, and other than as between the parties and their advisers, all parties shall keep confidential any matters relating to any proceedings save where disclosure is permitted or required by law. Parties may be required to sign non-disclosure agreements.
- (b) If any Adjudication Panel member is approached by any person to discuss any matter connected with the proceedings such member shall, without delay, notify the Complaint Secretariat and the Chairman who will take appropriate action.

14.10 Publication

The Exchange may at its sole discretion publish, in part, in summary or in full, the findings and/or decision of the Adjudication Panel.

15. The Appeals Committee

15.1 Constitution and Quorum

- (a) Members of the Appeals Committee shall be appointed by the National Council in line with the NSE MEMART, the Charter and practice of the National Council of The Exchange. The observers of the Appeals Committee will be drawn from the List maintained by The Exchange for such purposes.
- (b) The Appeals Committee shall at a disciplinary proceeding consist of five (5) members and three (3) observers:
 - (i) The five (5) members shall be members of the Council. Provided that no member of the Council that has been involved in any way in the investigation or prosecution of a disciplinary case, no one who has served on the Adjudication

- Panel, or who has a conflict of interest can consider any appeals in which he/she has a conflict of interest;
- (ii) The three (3) persons to act as observers who are not Dealing Members or staff of The Exchange, are to consist of one (1) person whom in the estimation of The Exchange, is appropriately experienced in the area of capital markets, another person whom in the estimation of The Exchange is appropriately experienced in the financial sector, and the third person should be a retired judge of the Federal High Court or a former member of the Investments and Securities Tribunal who is a legal practitioner.
 - (c) The Council President shall appoint the Chairman of the Appeals Committee.
 - (d) For the purpose of exercising its functions as stated in this Procedure, the quorum of the Appeals Committee shall be three (3) members of the Council, present at the commencement of a hearing; together with at least one (1) person who is not a Dealing Member or staff of The Exchange or Person trading securities traded on the platform of The Exchange, acting as an observer present at the commencement of a hearing, and throughout the hearing. For the purpose of split decisions, the Chairman of the Appeals Committee shall have a second or casting vote.
 - (e) Conflict of Interest issues will be treated in line with the conflict of interest policy for the National Council approved from time to time. Members of the Appeals Committee shall notify the Council Secretariat and the Chairman of any possible conflict of interest prior to taking part in any hearing, or where a conflict or the possibility of a conflict only becomes apparent during the course of a proceeding, at the earliest opportunity.

15.2 Jurisdiction

The Appeals Committee shall hear and determine appeals against the final decisions of the Adjudication Panel, other than final decisions of the Adjudication Panel which recommend expulsion. The Appeals Committee shall not set aside any finding of fact of the Adjudication Panel except where the finding is manifestly absurd.

15.3 Legal Advice

The Appeals Committee may receive advice on legal matters from the appropriate department/unit of The Exchange, or from external counsel as may be determined necessary and approved by The Exchange.

15.4 Decisions

- (a) The Appeals Committee may deliberate at any time and make any decision in the absence of the parties. The Appeals Committee may adjourn any hearing at any time as it deems fit. The Appeals Committee is entitled to reach decisions on a majority basis. In the case of an equality of votes, the Chairman shall have a second or casting vote.
- (b) Following the conclusion of the proceedings, the Appeals Committee will notify the parties in writing of:
 - (i) its decision(s), including any penalty and any statement intended for publication;
 - (ii) the reason(s) for its decision(s); and
 - (iii) any order for costs to be imposed;

15.5 Powers of the Appeals Committee

- (a) The Appeals Committee may, amongst other decisions:
 - (i) affirm wholly the decision of the Adjudication Panel;
 - (ii) affirm wholly the decision of the Adjudication Panel but impose additional sanctions on the appellant and/or any other party;
 - (iii) affirm partially the decision of the Adjudication Panel;
 - (iv) set aside the decision of the Adjudication Panel, and impose sanctions on any other party in the case;
 - (v) set aside any part of the decision of the Adjudication Panel, and impose sanctions on any other party in the case;
 - (vi) vary the decision of the Adjudication Panel; and
 - (vii) make its own findings different from that of the Adjudication Panel.

15.6 Costs

The Appeals Committee may order any party to pay such reasonable amount as costs as it thinks fit. Such costs are to cover expenses incurred by the other party in the participation, preparation and presentation of its case. Such order will be made only after the parties to the proceedings have been given the opportunity to make submissions on costs to the Appeals Committee.

15.7 Payment of Fines & Costs, Restitution or Compensation of Investors/persons

- (a) Any fine imposed shall be paid within ten (10) business days of receipt of the decision of the Appeals Committee or such other time as the Appeals Committee may determine or the conclusion of any appeal against that determination and any costs ordered to be paid shall be paid within ten (10) business days of the decision on the amount payable.
- (b) Any order to retribute or compensate an investor or a person shall be carried out within ten (10) business days of the decision of the Appeals Committee, receipt of the decision of the Appeals Committee or such other time as the Appeals Committee may determine.

15.8 Appeals

Appeals from the decisions of the Appeals Committee shall lie to the Securities and Exchange Commission.

15.9 Confidentiality

- (a) Other than as set out in this Disciplinary Procedure, and other than as between the parties and their advisers, all parties shall keep confidential any matters relating to any proceedings save where disclosure is permitted or required by law. Parties may be required to sign non-disclosure agreements.
- (b) If any Appeals Committee member is approached by any person to discuss any matter connected with the proceedings such member shall, without delay, notify the Council Secretariat and the Chairman who will take appropriate action.

15.10 Publication

The Exchange may publish, in part, in summary or in full, the findings and/or decision of the Appeals Committee.

16. The National Council

16.1 Constitution and Quorum

- (a) Members of the National Council shall be appointed in line with the NSE MEMART, the quorum shall be as indicated in the NSE MEMART, and the President shall be appointed as indicated in the NSE MEMART.
- (b) Conflict of Interest issues will be treated in line with the conflict of interest policy for the National Council as approved from time to time.

16.2 Jurisdiction

The National Council shall, hear and determine the recommendations of the Adjudication Panel to expel a Dealing Member and revoke its Dealing Member licence, and appeals against such recommendations. Where there is an appeal against the recommendation of the Adjudication Panel to expel a member, the National Council shall consolidate and jointly hear the recommendation of the Adjudication Panel to expel a Dealing Member and the appeal of the Dealing Member against the said recommendation.

16.3 Legal Advice

The National Council may receive advice on legal matters from the appropriate department/unit of The Exchange, or from external counsel as may be determined necessary and approved by The Exchange.

16.4 Decisions

- (a) The National Council may deliberate at any time and make any decision in the absence of the parties. The National Council may adjourn any hearing at any time as it thinks fit. With respect to appeals against the Adjudication Panel's recommendation to expel a Dealing Member the National Council is entitled to reach decisions on this on a majority

basis. In the case of an equality of votes, the President shall have a second or casting vote.

- (b) With respect to proceedings regarding the expulsion of a Dealing Member, the National Council shall reach a decision on the expulsion in the manner and based on the voting method stated in the NSE MEMART.
- (c) Following the conclusion of proceedings, the National Council will notify the parties in writing of:
 - (i) its decision(s), including any penalty and any statement intended for publication;
 - (ii) the reason(s) for its decision(s); and
 - (iii) any order of costs to be imposed.

16.5 Costs

The National Council may order any party to pay such reasonable costs as it thinks fit. Such costs are to cover expenses incurred by the other party in the participation, preparation and presentation of its case. Such order will be made only after the parties to the proceedings have been given the opportunity to make submissions on costs to the National Council.

16.6 Payment of Fines & Costs, Restitution or Compensation of Investors/persons

Any fine imposed shall be paid within ten (10) business days of receipt of the decision of the National Council or such other time as the National Council may determine or the conclusion of any appeal against that determination and any costs ordered to be paid shall be paid within ten (10) business days of the decision on the amount payable.

Where the decision of the National Council means the restitution or compensation of an investor/person, such restitution or compensation shall be carried out within ten (10) business days of the decision of the National Council or such other time as the National Council may determine.

16.7 Confidentiality

- (a) Other than as set out in this Disciplinary Procedure, and other than as between the parties and their advisers, all parties shall keep confidential any matters relating to any proceedings save where disclosure is permitted or required by law. Parties may be required to sign non-disclosure agreements.
- (b) If any National Council member is approached by any person to discuss any matter connected with the proceedings such member shall, without delay, notify the Council Secretariat and the President who will take appropriate action.

16.8 Publication

The Exchange may publish, in part, in summary or in full, the findings and/or decision of the National Council.

17. Consent Orders

- (a) At any time after The Exchange has decided to refer a case to the Adjudication Panel, The Exchange and the Person and/or Dealing Member may without prejudice negotiate a proposed settlement (“Consent Order”) and jointly submit it in writing to the Adjudication Panel for approval. A disciplinary action may at the discretion of the Adjudication Panel be delayed, and if already commenced, suspended, by the commencement of the negotiation of a Consent Order. Consent Orders cannot however be entered for cases such as insider trading, accounting fraud, market manipulation and other cases as The Exchange may in its sole discretion determine.
- (b) If the Adjudication Panel approves the proposed Consent Order, or any variation agreed by The Exchange and Person and/or the Dealing Member, it shall immediately make the Consent Order its decision.
- (c) The consequences of a Consent Order made by the Adjudication Panel shall be the same as those of a decision made by the Adjudication Panel, except that there can be no appeal on the Consent Order, and the Consent Order and penalties on any charges to which it relates shall have immediate effect.

- (d) The Adjudication Panel shall, in considering the Consent Order, take into account and give due weight to the fact that the parties are jointly applying for the Consent Order to be made.
- (e) If the Adjudication Panel does not approve the proposed Consent Order, there shall be no reference in any hearing before the Adjudication Panel to the negotiations, the proposed Consent Order or the submissions made to the Adjudication Panel, all of which shall be confidential.
- (f) Where paragraph (e) above applies, the Adjudication Panel or Appeals Committee constituted to hear the disciplinary charges shall not include any person who was part of the Adjudication Panel or Appeals Committee that considered the Consent Order.

Part E: Exclusions and Modifications

18. Effect of Disciplinary Procedure

Save for the provisions of the NSE MEMART, the provisions of this Disciplinary Procedure shall override any conflicting provisions in connection with the application of the disciplinary procedure of The Exchange to any Dealing Member/Participant or Person contained in the Rulebook of The Exchange or in any Applicable Rule of The Exchange.